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Location: Stockholm, Sweden

Sweden Cuts Tobacco Taxes In Bid To Curb Smuggling

Sweden yesterday announced a surprise 27 percent cut in excise taxes on tobacco products, bucking the international trend towards higher tobacco taxes to reduce consumption.

The Social Democratic government said the measure, contained in its outline budget for 1999, was necessary to stem a surge in cigarette smuggling, mainly from eastern Europe.

Erik Asbrink, finance minister, said Sweden -- where excise tax on cigarettes is among the highest in the European Union -- was being increasingly targeted by traffickers.

"If we remain passive, I am afraid that the smugglers will take over more and more," he said. Reducing tobacco tax would make it less profitable to import contraband goods.

The customary indexing of tobacco and alcohol taxes to inflation would be abolished, Mr. Asbrink said.

Government officials said the tax reduction would cut the cost of a packet of 20 cigarettes from SKr44.50 (L3.39) -- SKr33.82 of which is tax -- by up to SKr7, assuming retailers kept their margins.

The aim of the cut, applicable from August 1, is to reduce prices to levels in neighbouring Denmark, where a packet costs about SKr34. Prices in Germany and many other European countries are considerably lower.

Antismoking groups expressed dismay, saying the tax reduction would lead to increased smoking. They accused the government of exaggerating the problem, quoting an independent report that suggested contraband cigarettes accounted for just seven days' national consumption in 1996.

Under previously announced government plans, customs officials are to be given greater resources and powers to intercept suspect cargoes.

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Source: https://www.industrydocuments.ucsf.edu/docs/jyyn0000